

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN APPLICATION OF WATER VALLEY )  
WATER WORKS FOR AN ADJUSTMENT ) CASE NO. 9235  
OF RATES )

O R D E R

On December 3, 1984, Water Valley Water Works ("Water Valley") filed its application with the Commission requesting to increase its rate for water service pursuant to 807 KAR 5:076, the Alternative Rate Adjustment Procedure for Small Utilities ("ARF"). Water Valley stated that the proposed rate adjustment would produce additional revenues of \$540, an increase of 18.2 percent. Based on the determination herein, Water Valley has been granted an increase of \$540 which is the full amount requested.

In accordance with the provisions of the ARF regulation, no hearing was held in this matter. The Commission's decision is based on information contained in Water Valley's application and annual reports, along with its response to the Commission's written requests for information.

COMMENTARY

Water Valley is a water distribution system serving 45 customers in Graves County, Kentucky. The system's source of supply consists of two wells belonging to Laura and Murrel Stephens, the owners and operators of Water Valley.

### TEST PERIOD

The Commission has adopted calendar year 1983 as the test period for determining the reasonableness of the proposed rate. In utilizing the historical test period, the Commission has given full consideration to appropriate known and measurable changes.

### REVENUES AND EXPENSES

Water Valley presented its actual test period without proposing any adjustments thereto. In accordance with its past rate-making practices, the Commission has made the following adjustment to Water Valley's test period operations:

#### Management Fee

Water Valley's owners are commended for their efforts to limit the amount of its operating expenses. As found by the Commission in Case No. 8171, Application of Water Valley Water Works for Adjustment of Rates, these efforts are evident by the owners' decision to forego any compensation for their services. However, as in Case No. 8171, the Commission is of the opinion that a fee of \$50 per month or a total of \$600 is reasonable for the services provided. Therefore, in conformity with previous decisions involving similar sized utilities and the decision in Case No. 8171, the Commission has included a \$600 management fee as an operating expense for rate-making purposes.

Water Valley's adjusted test year operations are as follows:

	<u>Actual</u>	<u>Adjustments</u>	<u>Adjusted</u>
Operating Revenues	\$2,970	\$ -0-	\$2,970
Operating Expenses	2,739	600	3,339
Net Income	<u>\$ 231</u>	<u>\$ &lt;600&gt;</u>	<u>\$ &lt;369&gt;</u>

#### REVENUE REQUIREMENTS

The Commission typically uses the operating ratio method in the determination of revenue requirements for small investor-owned utilities and no evidence has been submitted in this proceeding to cause the Commission to deviate from this practice. The Commission is of the opinion that the proposed rate should be approved as the revenues generated by the proposed rate will produce an operating ratio of 95 percent and will be sufficient to pay Water Valley's operating expenses. Therefore, the Commission finds that Water Valley is entitled to the requested increase of \$540.

#### SUMMARY

The Commission, after consideration of the evidence of record and being advised, is of the opinion and finds that the rate in Appendix A is the fair, just and reasonable rate for Water Valley and will produce gross annual revenue of \$3,510.

IT IS THEREFORE ORDERED that the rate in Appendix A be and it hereby is approved for service rendered on and after the date of this Order.

IT IS FURTHER ORDERED that within 30 days from the date of this Order, Water Valley shall file with the Commission its revised tariff sheets setting out the rate approved herein.

Done at Frankfort, Kentucky, this 14th day of February, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Demery, Jr.  
Chairman

Paul W. Isgrig, Jr.  
Vice Chairman

Sam Shull  
Commissioner

ATTEST:

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Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE  
COMMISSION IN CASE NO. 9235 DATED 2/14/85

The following rate is prescribed for all customers served by Water Valley Water Works, Water Valley, Graves County, Kentucky. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

<u>Customer Category</u>	<u>Monthly Rate</u>
Residential	\$6.50